Analysis of Russian Ruble

Introduction :

The ruble has been used in the Russian territories since the 14th century, and is the second-oldest currency still in circulation, behind sterling. Initially an uncoined unit of account, the ruble became a circulating coin in 1704 just before the establishment of the Russian Empire. It was also the first currency in Europe to be decimalised in 1704, when it was divided into 100 kopecks. The ruble has seen several incarnations and redenominations during its history, the latest of which is the introduction in 1998 of the current Russian ruble (code: RUB) at the rate of 1 RUB = 1,000 RUR.

The ruble or rouble or R in Latin; ISO code: (RUB) is the currency of the Russian Federation. The ruble is subdivided into 100 kopecks . The first Russian ruble (code: RUR) replaced the Soviet ruble (code: SUR) in September 1993 at par .

History:

The ruble was the currency of the Russian Empire and of the Soviet Union (as the Soviet ruble). In 1992 the currency imagery underwent a redesign as a result of de-Leninization. The Soviet currency had different names in the different languages of the USSR; Russia, Belarus, Uzbekistan, Kyrgyzstan, Azerbaijan, Turkmenistan, and Transnistria have all retained the Soviet-era names for their new currencies.

As of October 2022, the Russian ruble is also used in the parts of Ukraine under Russian military occupation and in Russian-occupied parts of Georgia.

RUR (1992–1998) :

Following the dissolution of the Soviet Union in 1991, the Soviet ruble remained the currency of the Russian Federation until 1992. A new set of coins was issued in 1992 and a new set of banknotes was issued in the name of the Bank of Russia in 1993. The

currency replaced the Soviet ruble at par and was assigned the ISO 4217 code RUR and number 810.
The ruble's exchange rate versus the U.S. dollar depreciated significantly from US$1 = 125 RUR in July 1992 to approximately US$1 = 6,000 RUR when the currency was redenominated in 1998.

RUR coins

After the fall of the Soviet Union, the Russian Federation introduced new coins in 1992 in denominations of 1-, 5-, 10-, 20-, 50-, and 100 rubles. The coins depict the double-headed eagle without a crown, scepter and globus cruciger above the legend "Банк России" ("Bank of Russia"). It is exactly the same eagle that the artist Ivan Bilibin painted after the February Revolution as the coat of arms for the Russian Republic. The 1- and 5-ruble coins were minted in brass-clad steel, the 10- and 20-ruble coins in cupro-nickel, and the 50- and 100-ruble coins were bimetallic (aluminum-bronze and cupro-nickel-zinc). In 1993, aluminum-bronze 50-ruble coins and cupro-nickel-zinc 100-ruble coins were issued, and the material of 10- and 20-ruble coins was changed to nickel-plated steel. In 1995 the material of 50-ruble coins was changed to brass-plated steel, but the coins were minted with the old date 1993. As high inflation persisted, the lowest denominations disappeared from circulation and the other denominations became rarely used.

During this period, the commemorative one-ruble coins were regularly issued continuing the specifications of prior commemorative Soviet rubles (31 mm diameter, 12.8 grams cupronickel). It is nearly identical to those of the 5-Swiss franc coin (31.45 mm, 13.2 g cupronickel), worth approx. €4.39 or US$5.09 as of August 2018. For this reason, there have been several instances of (now worthless) Soviet and Russian ruble coins being used on a large scale to defraud automated vending machines in Switzerland.

RUR banknotes

In 1961, new State Treasury notes were introduced for 1-, 3- and 5 rubles, along with new State Bank notes worth 10-, 25-, 50-, and 100 rubles. In 1991, the State Bank took over production of 1-, 3- and 5-ruble notes and also introduced 200-, 500- and 1,000-ruble notes, although the 25-ruble note was no longer issued. In 1992, a final issue of notes was made bearing the name of the USSR before the Russian Federation introduced 5,000- and 10,000-ruble notes. These were followed by 50,000-ruble notes in 1993, 100,000 rubles in 1995 and, finally, 500,000 rubles in 1997 (dated 1995).

Since the dissolution of the Soviet Union in 1991, Russian ruble banknotes and coins have been notable for their lack of portraits, which traditionally were included under both the Tsarist and Communist regimes. With the issue of the 500-ruble note depicting a statue of Peter I and then the 1,000-ruble note depicting a statue of Yaroslav, the lack of recognizable faces on the currency has been partially alleviated.

RUB (1998–present) :

In 1998 the Russian ruble was redenominated with the new ISO 4217 code "RUB" and number 643, and was exchanged at the rate of 1 RUB = 1,000 RUR. All Soviet coins issued between 1961 and 1991, as well as 1-, 2- and 3-kopeck coins issued before 1961, also qualified for exchange into new rubles.

The redenomination was an administrative step that reduced the unwieldiness of the old ruble but occurred on the brink of the 1998 Russian financial crisis. The ruble lost 70% of its value against the US dollar in the six months following this financial crisis, from US$1 = 6₽ to approximately 20₽.

After stabilizing at around US$1 = 30₽ from 2001 to 2013, it depreciated to the range of US$1 = 60-80₽ from 2014 to 2021 as a result of the Annexation of Crimea by the Russian Federation in 2014 and 2010s oil glut. After the 2022 Russian invasion of Ukraine, it declined further to US$1 = 110₽ due to sanctions.

By April 2022, the ruble went above its pre-war level after falling as low as 150₽ per dollar in early March, and recovered to its pre-war value by early April.

A currency symbol was used for the ruble between the 16th century and the 18th century. The symbol consisted of the Russian letters "Р" (rotated 90° anti-clockwise) and "У" (written on top of it). The symbol was placed over the amount number it belonged to. This symbol, however, fell into disuse by the mid-19th century.

No official symbol was used during the final years of the Empire, nor was one introduced in the Soviet Union. The abbreviations Rbl (plural: Rbls) in Latin and руб. (Cyrillic) and the simple characters R (Latin) and р (Cyrillic) were used. These are still used to-day, though are unofficial.

In July 2007, the Central Bank of Russia announced that it would decide on a symbol for the ruble and would test 13 symbols. This included the symbol РР (the initials of Российский Рубль "Russian ruble"), which received preliminary approval from the Central Bank. However, one more symbol, a P with a horizontal stroke below the top

similar to the Philippine peso sign, was proposed unofficially. Proponents of the new sign claimed that it is simple, recognizable and similar to other currency signs. This symbol is also similar to the Armenian letter ք or the Latin letter .

On 11 December 2013, the official symbol for the ruble became RUB, a Cyrillic letter Er with a single added horizontal stroke,[better source needed] though the abbreviation "руб." is in wide use. In Unicode version 7.0 it was assigned the encoding U+20BD ₽ RUBLE SIGN.
On 4 February 2014, the Unicode Technical Committee during its 138th meeting in San Jose accepted U+20BD ₽ RUBLE SIGN symbol for Unicode version 7.0; the symbol was then included into Unicode 7.0 released on 16 June 2014. In August 2014, Microsoft issued updates for all of its mainstream versions of Microsoft Windows that enabled support for the new ruble sign.

Exchange rates :

The first Russian ruble (RUR) introduced in January 1992 depreciated significantly versus the US dollar from US$1 = 125 RUR to around US$1 = 6,000 RUR (or 6 RUB) when it was redenominated in January 1998. The new ruble then depreciated rapidly in its first year to US$1 = 20 RUB before stabilizing at around US$1 = 30 RUB from 2001 to 2013.

The financial crisis in Russia in 2014–2016 was the result of the collapse of the Russian ruble beginning in the second half of 2014. A decline in confidence in the Russian economy caused investors to sell off their Russian assets, which led to a decline in the value of the Russian ruble and sparked fears of a Russian financial crisis. The lack of confidence in the Russian economy stemmed from at least two major sources. The first is the fall in the price of oil in 2014. Crude oil, a major export of Russia, declined in price by nearly 50% between its yearly high in June 2014 and 16 December 2014. The second was the result of international economic sanctions imposed on Russia following Russia's annexation of Crimea and the Russian military intervention in Ukraine.

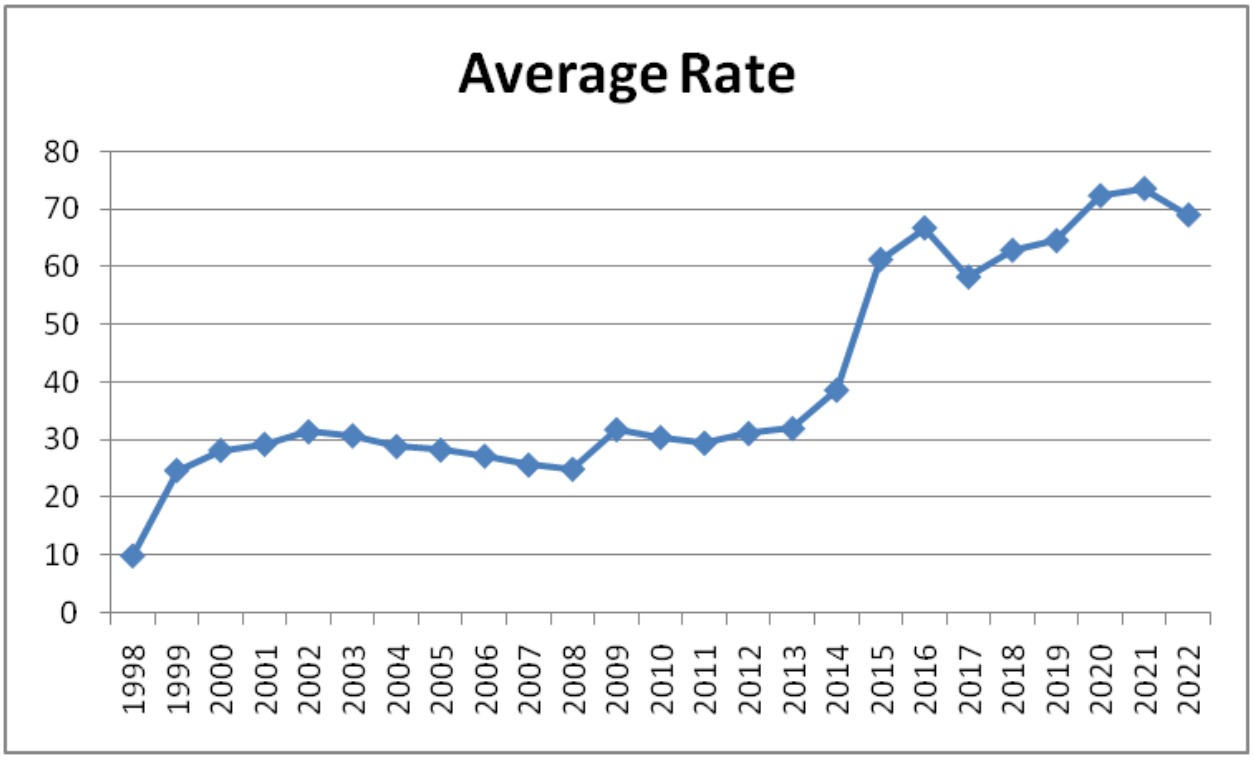
The crisis affected the Russian economy, both consumers and companies, and regional financial markets, as well as Putin's ambitions regarding the Eurasian Economic Union. The Russian stock market in particular experienced large declines, with a 30% drop in the RTS Index from the beginning of December through 16 December 2014. From July 2014 to February 2015 the ruble fell dramatically against the U.S. dollar. A 6.5 percentage point interest rate rise to 17 percent failed to prevent the currency hitting

record lows in a "perfect storm" of low oil prices, looming recession and Western sanctions over the Ukraine crisis.

Russia faced steep economic sanctions due to the invasion of Ukraine in early 2022. In response to the military campaign, several countries imposed strict economic sanctions on the Russian economy. This led to a 32 percent drop in the value of the ruble, which traded at an exchange rate of 120 rubles per dollar in March 2022. On 23 March 2022, President Putin announced that Russia would only accept payments for Russian gas exports from “unfriendly countries” in rubles. This, along with several other actions to control capital flow, coinciding with soaring commodity prices led to the ruble rallying to a record high in May 2022 that economists feel is unlikely to last. However, the ruble continued to rally in June 2022, hitting its highest point (51 rubles to the dollar) for the past seven years at the end of the month.

Exchange rate grapes and information:

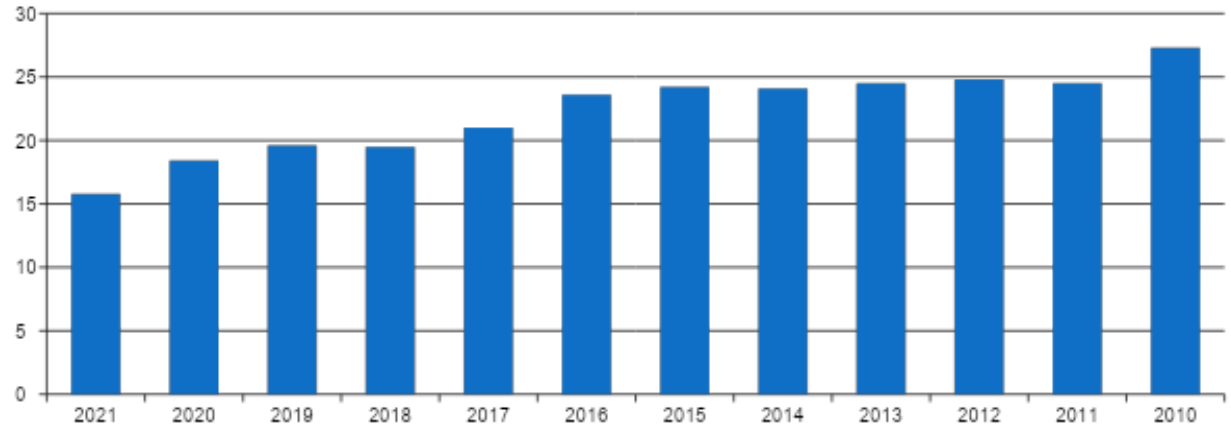
RUB per US$ (1998–2022)



In the above we see the grapes created over average rate of **Russian Ruble(₽)** to **USD($)** from 1998 to 2022 year. Below information is given of the exchange rate of Russian Ruble to USD.

Purchasing power parity (ppp) :

Purchasing power parity conversion factor is the number of units of a country's currency required to buy the same amounts of goods and services in the domestic market as the U.S. dollar would buy in the United States. This conversion factor is for GDP. In 2021, purchasing power parity for the Russian Federation was 27.3 LCU per international dollar. Purchasing power parity of the Russian Federation increased from 9.3 LCU per international dollars in 2002 to 27.3 LCU per international dollars in 2021 growing at an average annual rate of 6.03%.



The graph shows the previous 11 years ppp of a factor and the changes from 2010 to 2021 :

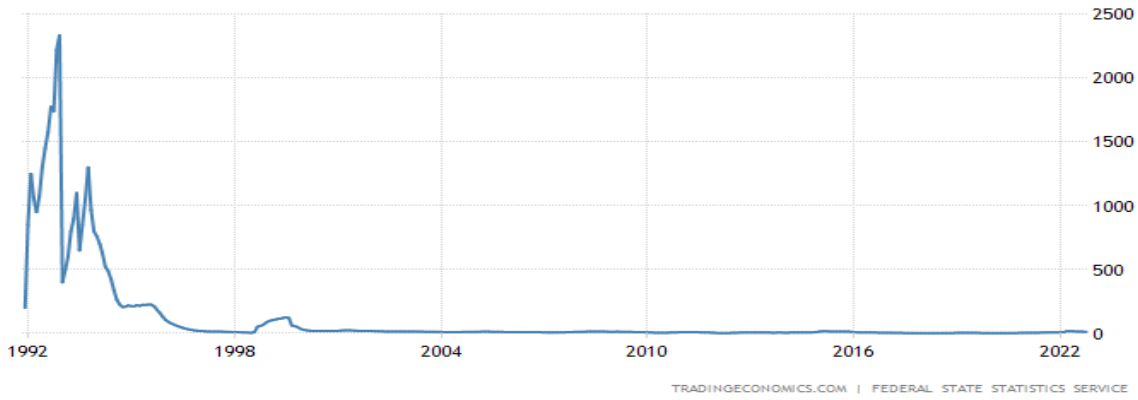
DATE	VALUE	CHANGE, %
2021	27.3	11.59 %
2020	24.5	-1.39 %
2019	24.8	1.20 %
2018	24.5	1.74 %
2017	24.1	-0.28 %
2016	24.2	2.67 %
2015	23.6	12.21 %
2014	21.0	7.66 %
2013	19.5	-0.32 %
2012	19.6	6.10 %
2011	18.4	16.58 %
2010	15.8	

Russia interest rate :

The Central Bank of Russia held its key interest rate steady at 7.5% in its October meeting, as broadly expected, and signaled it will continue to use the latest data to adapt monetary policy in future meetings. The decision halted six consecutive rate cuts by the central bank since the emergency hike of the key rate to 20% in February, as the slowdown in consumer inflation has eased since the summer. The CBR revised its year-end inflation forecast to 12-13% from 11-13%, and left projections for 2023 unchanged at 5-7%. Policymakers noted that monetary conditions are now slightly tighter than those in September as geopolitical tensions increased with the annexation of the Donbass and OFZ yields rose. The bank also stated that the mobilization of troops should limit aggregate demand in the short term and be pro-inflationary in the long term due to its restriction on the supply side. In the baseline scenario, the Russian economy should contract by 3-3.5% this year and 1-4% next year.

In Russia, interest rate decisions are taken by the Central Bank of the Russian Federation. From September 16th of 2013, the official interest rate is the one-week auction repo rate. Until September 15th of 2013, the official interest rate was the refinancing rate, which was seen as a ceiling for borrowing money and a benchmark for calculating tax payments.

Russia Inflation Rate :



The annual inflation rate in Russia fell to 12.6 percent in October of 2022 from 13.7 percent in the previous month, slowing for the sixth consecutive month to the lowest since the attack on Ukraine began in February. Prices decelerated for food products (12.1 percent vs 14.2 percent in September), and non-food products (14.1 percent vs 14.9 percent), offsetting the slight pickup in the cost of services (11.2 percent vs 11 percent). Also, core consumer prices rose at a slower pace (16.2 percent vs 17.1 percent). On a monthly basis, the CPI edged 0.2 percent higher, picking up from the 0.1 percent increase in September and marking the sharpest price growth since April, backing the CBR's signal to halt its rate-cutting cycle.

In Russia, the most important categories in the Consumer Price Index are: Food & Non-alcoholic Beverages (30% of the total weight) and Transport (14%). Clothing & Footwear accounts for 11%, Housing, Water, Electricity, Gas, & Other Fuels for 11%, Recreation & Culture for 6%, Alcoholic Beverages & Tobacco for 6% and Household Appliances for 6%. Health, Communication, Education, Restaurants & Hotels and Miscellaneous Goods & Services account for 16% of the total weight.

Russia Exports :

Exports from Russia surged 72 percent from a year earlier to USD 45.93 billion in January of 2022, before the invasion of its neighbor Ukraine and West sanctions. Sales advanced to both non-CIS (76.9 percent) and CIS countries (41.3 percent). In March, Russia imposed an export ban on more than 200 products including telecoms, medical, vehicle, agricultural, and electrical equipment, until the end of 2022 in response to western sanctions for invading Ukraine.

Russia’s economy is highly dependent on exports of commodities with revenues from sales of crude oil, petroleum products, and natural gas accounting for about a half of Russia’s federal budget. Russia’s main exports are: fuels and energy products (63 percent of total shipments, of which crude oil and natural gas accounted for 26 percent and 12 percent respectively); metals (10 percent); machinery and equipment (7.4 percent); chemical products (7.4 percent) and foodstuffs and agricultural products (5 percent). Main export partners were: China (12 percent), Germany (9 percent), Netherlands (8.4 percent), Italy (5.8 percent), Belarus (4.7 percent), Turkey (4.4 percent) and Japan (4.1 percent).

Russia Imports :

Imports to Russia rose 40.1 percent to a 6-month low of USD 24.75 billion in January of 2022, before the invasion of its neighbor Ukraine and West sanctions. Purchases increased from both non-CIS (40.6 percent) and CIS countries (36.3 percent). Several global brands and major companies from sectors ranging from technology to automotive and energy suspended their operations in Russia in response to the "special military operation" in its neighbor on February 24th. Apart from sanctions, particularly those imposed by EU member states and the US, companies are trying to exert pressure on the Russian economy through their actions. Some firms stopped their operations and deliveries while others ended their investments or withdrew from their partnerships in Russia.

Russia's main imports are: machinery, equipment and transport (45 percent of total imports), chemical products (19 percent) and foodstuffs and agricultural products (14.5 percent). Main import partners in 2015 were: China (19 percent of total imports), Germany (11 percent), the United States (6 percent) and Belarus (5 percent).

Russia GDP :

The Gross Domestic Product (GDP) in Russia was worth 1775.80 billion US dollars in 2021, according to official data from the World Bank. The GDP value of Russia represents 1.33 percent of the world economy.
The economy of Russia has gradually transformed from a planned economy into a mixed market-oriented economy. It has enormous natural resources, particularly oil and natural gas. As of 2022, it is the fourth-largest economy in Europe, the world's ninth-largest economy by nominal GDP, and the sixth-largest by PPP. It ranks 62nd by GDP per capita.
Russia's vast geography is an important determinant of its economic activity, with the country holding a large share of the world's natural resources. It has been widely described as an energy superpower. as it has the world's largest natural gas reserves, the second-largest coal reserves, the eighth-largest oil reserves, and the largest oil shale reserves in Europe. It is the world's leading natural gas exporter, the second-largest natural gas producer, and the second-largest oil exporter, and producer. Russia's foreign exchange reserves are the world's fifth-largest. It has a labor force of roughly 70 million people, which is the world's sixth-largest. Russia is the world's second-largest exporter of arms. Russia also has the world's fifth-largest number of billionaires.
The oil and gas sector accounted up to roughly 40% of Russia's federal budget revenues, and up to 60% of its exports in 2019. In 2019, the Natural Resources and Environment Ministry estimated the value of natural resources to be 60% of the country's GDP. Russia has one of the lowest external debts among major economies, although its inequality of household income and wealth remains comparatively high. Following the Russian invasion of Ukraine in 2022, the country has faced several sanctions and boycotts from the Western world and its allies, a move described as an "all-out economic and financial war" to isolate the Russian economy from the Western financial system.

RUSSIA’S BALANCE OF PAYMENTS :

(BILLIONS OF US DOLLARS)*

	2020					2021				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4**	Year **
Current account	**23.5**	**1.6**	**3.9**	**7.0**	**36.0**	**23.3**	**18.3**	**36.9**	**41.8**	**120.3**
Balance of trade	33.3	16.7	18.8	25.0	93.7	28.7	38.9	55.0	63.4	185.9
Exports	*89.3*	*70.5*	*79.0*	*94.6*	*333.4*	*93.2*	*115.0*	*132.8*	*148.7*	*489.8*
Imports	*56.0*	*53.8*	*60.2*	*69.7*	*239.6*	*64.6*	*76.2*	*77.8*	*85.3*	*303.9*
Balance of services	-6.4	-1.9	-3.6	-5.2	-17.0	-2.4	-3.5	-6.5	-7.4	-19.9
Exports	*13.5*	*10.0*	*10.7*	*12.8*	*47.0*	*11.5*	*13.0*	*14.2*	*15.9*	*54.6*
Imports	*19.9*	*11.9*	*14.3*	*18.0*	*64.1*	*13.9*	*16.5*	*20.7*	*23.3*	*74.5*
Balance of primary and secondary income	-3.5	-13.2	-11.2	-12.8	-40.7	-3.0	-17.0	-11.6	-14.2	-45.8
Capital account	**0.0**	**-0.2**	**-0.1**	**-0.2**	**-0.5**	**0.2**	**-0.2**	**-0.1**	**-0.2**	**-0.3**
Financial account excluding reserve assets	**19.3**	**14.6**	**8.6**	**10.5**	**53.0**	**19.2**	**9.2**	**4.2**	**22.8**	**55.4**
Net incurrence of liabilities	**-13.8**	**-3.0**	**-13.4**	**-9.7**	**-39.9**	**-0.3**	**3.8**	**32.9**	**-10.3**	**26.1**
General government	0.6	1.1	-0.5	2.4	3.7	-3.3	-0.8	5.2	-4.4	-3.3
Central bank	-0.9	-1.3	2.3	-1.0	-0.9	2.1	-0.2	16.7	3.2	21.8
Banks	-6.8	-9.2	-2.2	-7.9	-26.2	0.3	-4.3	-0.2	-4.1	-8.3
Other sectors	-6.6	6.3	-13.0	-3.1	-16.4	0.6	9.0	11.2	-5.0	15.8
Net acquisition of financial assets	**5.5**	**11.6**	**-4.8**	**0.8**	**13.1**	**18.9**	**13.0**	**37.1**	**12.6**	**81.5**
General government	0.1	1.2	-0.7	1.0	1.6	0.4	1.8	-0.1	1.0	3.2
Central bank	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1
Banks	2.5	-2.0	-7.4	2.4	-4.5	3.2	-7.9	3.8	-4.8	-5.6
Other sectors	3.0	12.4	3.3	-2.6	16.1	15.2	19.1	33.4	16.3	84.0
Net errors and omissions	**0.9**	**0.3**	**2.5**	**0.2**	**3.8**	**-0.5**	**-0.4**	**-3.0**	**2.9**	**-1.0**
Change in reserve assets	**5.0**	**-12.9**	**-2.3**	**-3.6**	**-13.8**	**3.7**	**8.5**	**29.6**	**21.7**	**63.5**

Memo item: balance of the private sector's financial transactions	**18.6**	**12.6**	**8.5**	**10.6**	**50.4**	**18.2**	**7.0**	**29.1**	**17.7**	**72.0**
Memo item: foreign direct investment										
Total, abroad	0.6	4.6	-3.0	3.6	5.8	9.2	8.9	20.2		
Total, in Russia	-3.8	6.3	2.4	4.5	9.5	5.9	6.2	17.1		
Other sectors, changes in assets	0.4	4.8	-2.9	3.3	5.7	9.1	9.1	19.8	15.5	53.6
Other sectors, changes in liabilities	-4.1	5.9	2.1	4.1	8.0	4.3	7.3	15.7	3.3	30.7

Findings :

Exchange rate and inflation rate :

We can see that the inflation rate of the Russian ruble was very bad at the beginning of the start of the Russian country in 1992. But gradually they work on it and it is stable under 20% in the last 25 years and it is good for a country. And the exchange rate of the Russian ruble is changing gradually. If the exchange rate is stable it is good for a country. But for the change of the inflation rate the exchange rate also varies.

Interest rate :

We can see that from 2004 to 2020 it was under 15% but it went to 20% in 2022 and it means that Russia was facing investment or cash problems because they increased the interest rate.

Purchasing power parity :

We can say that Russians are gradually losing their purchasing power. It shows **PPP** from 2010 to 2021. It usually happens because of the inflation rate of a country. In 2010 the value was 15.8 and it was increasing gradually and in 2014 it went to 21.0 and in 2021 the value went to 27.3. The people of Russia losing there purchasing Power in every year . And it's not good for the country.

Russian GDP :

According to independent analysis by the World Bank, the International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD), 2022

is a bad year for the Russian economy. By the end of 2022, Russia's gross domestic product (GDP) is expected to drop by at least 3.4% in the best-case scenario and by up to 5.5% in the worst-case scenario.

Russia's economy will continue to shrink in 2023. Its GDP is forecast to decline by 2.3% year on year in the best-case scenario and by 4.5% in the worst-case scenario.

Conclusion :

Central banking in its current form in Russia has resulted in an unsound currency, extreme inflation, and economic decline. The Central Bank of Russia has no definite plan for providing a sound currency. Even if re formed, the Central Bank of Russia is unlikely to provide Russia with a sound currency soon. Therefore, we recommend that Russia establish a currency board. The currency board can be established by the Russian government alone, or in collaboration with the IMF if the IMF provides some of the initial foreign reserves. The currency board system, as used in Hong Kong and elsewhere, is a well-proven means of providing a stable, credible, fully convertible currency, and of encouraging rapid economic growth.